

PERSPECTIVES ON TRANSIT-ORIENTED DEVELOPMENT

PURPOSE OF FOCUS GROUPS

To help craft policies that will support transit-oriented development around light rail stations, the City of Seattle's consultant team conducted small group interviews over the course of a day with fifty individuals involved in the design, development, and financing of new housing, retail spaces, and offices. The interviews helped identify some of the opportunities and obstacles for more dense, pedestrian-oriented development around transit stations. While the individuals interviewed were not of one mind, certain themes emerged about the development potential in station areas and the appropriate direction of future City policies.

Over one hundred and twenty five individuals were mailed an invitation from Seattle Mayor Paul Schell, inviting them to participate in the focus groups. Approximately fifty individuals were able to meet at a downtown hotel on June 30, 1998 for a one hour meeting. The focus group participants included for-profit and not-for-profit developers, bankers, land-use attorneys, appraisers, architects, realtors, and property owners. A list of the participants is attached. Three meetings were held every hour on the hour with groups of three or fewer people. The meetings were kept small to encourage full participation by attendees.

The meetings began with a brief overview of the City's planning process for the Sound Transit's light rail system and review of some of the key features of transit-oriented development. These features include:

- *Mixed Uses.* Land uses are mixed and may include a combination of residential, commercial, and entertainment activities.
- *Compact Development.* Development is compact, at medium to high densities. (Parking is limited.)
- *1/4 Mile.* Boundaries of the TOD area extend approximately 1/4-mile from the station, a distance that can be covered in about 5 minutes on foot.
- *Neighborhood Center.* Open spaces or plazas near the station function as community gathering spots.
- *Pedestrian Orientation.* Streets and open spaces are friendly to pedestrians.

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ORGANIZATION OF GROUPS

The groups were organized by three topic areas: 1) City Policies to Encourage Transit-Oriented Development, 2) Market Conditions and the Demand for New Space, and 3) Urban Design. In practice, the discussions tended to range over all of these topics with an emphasis on the particular specialty of the participant. One of conditions of the interviews was that there would be no direct attribution of views to the individuals attending in order to encourage a candid appraisal of the opportunities and challenges for encouraging transit-oriented development. At the end of each discussion, participants were asked to name three things the city could do to facilitate transit-oriented development

The results of the discussions are reported by topics and organized as follows:

- Market Conditions
- Financing
- Planning
- Design
- Zoning revisions
- Parking
- Top Recommendations

MARKET CONDITIONS

Most people interviewed thought that the location of a light rail station by itself was not enough to spur significant new development. Several participants cited examples from other cities where a new rail transit station alone did not turn around an economically disadvantaged area. In general, the participants felt that new development requires a combination of positive market conditions and other supportive policies to encourage transit-oriented development.

Participants' Comments:

"How do we reconcile the goal of maximizing ridership and stimulating development? Which ones are we trying to do? How are we trying to balance the two? You can have both in strong market areas, but the farther you go from the center, the reality is we'll be mostly mitigating consequences - e.g., UW communities on Husky football game days, Fremont street fair weekend. Cars are a problem. The City will wind up spending lots of time dealing with parking issues."

"Development with lower parking requirement might be rational, but the community might not see the tradeoff - people might not drive to work, but they still would have a car."

"Develop a constituency that will support doing TOD beyond just the few architects in town who are currently supportive."

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Several developers emphasized that it will take decades to realize more intensive development around transit stations. They pointed to the experience in Seattle with the Denny Regrade which has taken over twenty years to begin to realize the plans made in the 1970s. One of the biggest constraints on development in many station areas will be the assembly of the land. In the current real estate market, there is tremendous demand for housing within Seattle but a dearth of affordable sites on which to build sites that could be ripe for redevelopment often go untouched because the property owner is not sufficiently motivated to sell.

Several developers expressed interest in having the City or Sound Transit assist in the assembly of land for new development around station area. Given the legal constraints on public agencies' ability to acquire land for private development, other focus group participants felt that community development corporations, a consortium of area banks, or the Seattle Housing Authority would be better candidates for the land assembly role. One participant expressed the view that any entities interested in acquiring land should wait for the next down market in the real estate market to acquire property. There was a general concern that property owners near rail stations will try to exact too great a premium in the land costs. If land prices are set too high, then new development will not move in around the rail stations.

Housing vs. Commercial

Participants recognized that retail and office developers will be able to outbid housing developers, particularly those who would build workforce and low-income housing. The high-end housing market is

Participants' Comments:

"Metro at Northgate, put lots of housing over that, the market will take care of the rest - would love to see every Metro lot have housing over it - not necessarily family housing, although this could be if subsidized – you could even get income from it."

"There is still a prejudice about the area south of I-90. I would build a station area in the south first and give them the competitive edge over the north. Development will occur slowly over time, but the lower density and more affordable housing in the south end creates a greater opportunity for improvement. It is likely that light rail will have a larger impact on this area and have a real hope of redeveloping and bringing more people into the city."

"McClellan/Rainier, Columbia/Genessee (S. Charlestown), and Holly Park should be priorities for redevelopment because you can acquire enough land mass around them to create nodes and mixed use activity"

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strong in Seattle, and the accessibility that Sound Transit will provide will be an added amenity. However, transit won't change the basic investment decisions. Nonetheless, a number of participants noted that promoting homeownership is important in some neighborhoods.

To get housing at all income levels, it will be important for the City to do more than just have zoning in place. Zoning with incentives/subsidies and with supportive neighborhood infrastructure, particularly schools, will be important. Some participants recommended that Sound Transit use any excess property for low- and moderate-income housing; others want the City to make specific provisions for live/work units around stations. Mixed use will be the key, so there are support services around stations that will reduce the need to use a car. Good neighborhood schools and open space amenities also will be needed to support a station area housing market.

Participants also cautioned that the City should take a long-term market perspective and not make wholesale zoning changes to achieve certain market objectives all at once. A staged approach is important, so values are not so inflated by rezoning that no one can afford to develop.

Station Area Comments

The focus group participants had comments about each of the major market areas that will be served by light rail.

- *Northgate and Roosevelt.* The market north of the central business district is very strong right now. Northgate and the Roosevelt neighborhoods area already the targets for significant new investments in housing and retail development. Given the strength of these markets, focus group participants thought these station areas could take care of themselves and would not need a lot of supportive policies. Several mentioned that it will be important to make sure the design of any new development relates to the transit stop and provides good connections.
- *University.* Several participants noted that there is very strong demand for affordable housing from around the University and that there is not very much in close proximity to campus. There are several big parking lots within one-quarter mile of the proposed station areas that are ripe for housing development.
- *Capitol Hill/First Hill.* These areas are very strong real estate markets right now, the chief constraint is the availability of land for development. One developer said he would be building up there right now if he could acquire a reasonably priced site for a multi-family or mixed-use development. Several participants expressed concern that the City's forecasts of development capacity in these areas was unrealistic. Even though some parcels are zoned for multi-family, they are very unlikely to switch out of single family use in the foreseeable future.

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- *Downtown.* Office rents downtown are shooting up and many people's leases are expiring. People who can not afford a 50% increase in their rent are now looking for new office space outside or on the edge of downtown. Light rail is unlikely to affect overall demand in the downtown, but it will make office space attractive in some station areas that would have quick and ready access to downtown for meetings.
- *Stadium/Industrial Areas.* Focus group participants noted the many new development going on the south end of downtown, near Union Station, and saw potential for more commercial uses near the stadium. Because of the low vacancy rates in the city, this area would be an attractive place to develop new office space. One group discussed the conflicts that are bound to arise between the potential for more intensive—and higher value—commercial uses around transit stations and the City's desire to keep the land around Lander Street in industrial uses. Public policies to support transit-oriented development and industrial uses could come in to conflict.
- *Rainier Valley.* Because of its history as an economically disadvantaged area, the Rainier Valley will likely require more active public policies and public investments to encourage private investment than the other market segments. Several participants mentioned the elevated levels of crime in these areas which pose a significant barrier to attracting market rate housing. However, the current strong real estate market already has some developers acquiring land in the Rainier Valley with an eye toward developing new multi-family housing.

Over the long run, parts of the Rainier Valley were felt to have significant potential for new development. Several mentioned the station stop at McClellan as a strong market area that has been revitalized with the introduction of Eagle Hardware and QFC. However, the site presents real design challenges for developing a pedestrian-oriented environment that will continue to serve the high levels of auto traffic and auto-oriented retail that exist currently. Columbia City already has many characteristics of a transit-oriented development, with its small store fronts and pedestrian character. Several participants felt that a light rail station at Columbia City would be a wonderful amenity that could enhance the economic vitality of the area and spur new housing and retail development. The redevelopment at the Seattle Housing Authority's Holly Park also provides an opportunity for more transit-oriented development because large parcels near these station areas are already in public ownership and scheduled for reconstruction.

FINANCING

Lenders who attended the interviews said that there was plenty of capital available for feasible projects. However, all of the lenders acknowledged that mixed-use developments were more difficult to finance because of their experience with the City's NC zoning. This zoning requires retail space on the ground floor that is often difficult for the developer to lease out. The high vacancy rates in these ground floor spaces have resulted in lenders excluding any income from these spaces when qualifying a loan, even if

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developers had pre-leasing commitments. Everyone involved in financing new development encouraged the City to allow more flexibility and not force uneconomic uses into the bottom floors of multi-family buildings.

Lenders also acknowledged that they had little experience with some of the types of mixed-use developments contemplated for transit stations and were reluctant to generate loans that couldn't be sold onto secondary markets. One group discussed the idea of getting several area banks together to create a loan pool that could invest in transit-oriented projects in a way that spread the risk over a larger group of lenders. This approach would help develop a better understanding of the financial performance of these types of development. A loan pool dedicated to transit-oriented development would also be a visible way for the banks to meet community investment obligations under the federal Community Reinvestment Act. A variation on this idea was to create a pool that would option properties around the light rail stations to assist in the assembly of land for redevelopment.

One lender discussed their efforts with the development of "*location efficient mortgages*". This program would allow moderate income families that are purchasing a home, townhouse, or condominium in an area served by transit to qualify for a larger mortgage than they would otherwise. The idea is that because these households are able to lower their transportation costs by taking transit, they should be

Participants' Comments:

"Developer's financing dictates that they have to lease space on day one, and they can't be looking down the road."

"Developers are looking at short term deals. They aren't going to be acting unless they believe it's really going to happen, and they can't afford to build in expectation that something is going to come together down the road."

"Keep City out of the development business."

"The City should step in to ensure low- and moderate-income housing."

"The City should establish and fund CDCs to focus on particular transit areas."

"The City could put pressure on FNMA to change policy with regard to allowing us (bankers) to recognize income from secondary units (granny flats)."

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allowed to use the income freed up to qualify for a larger mortgage¹. The current plan is to identify broad areas with different levels of transit service; the potential for light rail transit and the added accessibility it would provide has not been considered; however, this lender was open to discussions with the City about how this potential might be folded into the equation.

Several participants mentioned the potential role of Community Development Corporation in providing capital for affordable housing and new retail enterprises. Some CDCs have been able to take equity positions in joint-developments that have succeeded and they have developed the basis for a revolving loan or investment fund that can be reinvested into other projects. Housing authorities also have broad statutory authority to partner with both local governments and the private sector to develop, finance, and own housing related facilities.

Most of the focus group participants said that the City should not get into the development and financing business. However, they also agreed that the City does have a role to play in ensuring that financing for affordable housing is in place. The City can help through housing subsidies. Sound Transit could work with joint development concepts and long-term ground leases to help make financing work.

PLANNING

Many of the participants emphasized that light-rail transit presents a rare opportunity for the City to encourage denser development. One said, *"This is the last chance to see if the City is serious about growth management."* Several developers expressed dismay at the City's past decision's to downzone areas and constrain the amount of land available for multi-family and mixed-use development. They encouraged policymakers to be bold in their policies and make decisions that might be unpopular with some neighbors but were the right thing to do for the City's future.

One important tool that could speed up the implementation of transit-oriented development is the adoption of a Programmatic Environmental Impact Statement (EIS) or planned action EIS around the station areas. These plans would address all of the environmental effects of a complete buildout within the station area. By having the City

¹ Where transit can reduce monthly costs by \$300, a borrower requesting a location efficient mortgage could buy a house worth \$60,000 more because these commuting cost savings would be recognized in calculating the value of housing for which an applicant can qualify.

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do the environmental review once, developers and property owners would be able to expedite the permitting process and have confidence that their project would be approved. Reducing the time for permitting and removing the uncertainty about approval could significantly expand the market for new development in the station areas. One developer noted that a couple of other Washington cities have had good success with such a program. But participants also acknowledged that it would be expensive for the City to complete detailed EISs for each station area.

Another comment was that design guidelines should flesh out details about what are the critical elements for TOD, so there is no extended discussion and debate on these during the review process.

Participants also emphasized the importance of careful station-by-station analysis, noting “*One size will not fit all station areas.*” The market development strategy must be sensitive to the demand in each area. The City should not discourage neighborhood-serving uses, nor should these be mandated, particularly where there is inadequate market information to justify a mandatory retail space requirement in mixed use zoning regulations.

Many of the interview participants thought that it was important for the City to have a vision statement and neighborhood design guidelines for each station. It also would be important for the City to focus on a few station areas first and demonstrate an early success. If a mixed-use project with market rate housing and commercial space succeeds financially, then there will much more enthusiasm in the development and financial communities for subsequent projects.

DESIGN

All of the developers who had been through the City’s design review process supported it and think it is an appropriate tool for ensuring quality design while allowing greater flexibility. While some developers suggested ways to streamline the design review process, they all

Participants’ Comments:

“Wouldn’t it be refreshing if developers and architects could look holistically at a site and think about what should be there - instead having to take a negative view (what is the maximum height, setbacks, etc.).”

“It would be great if there really was a place in the City where you knew you could really get a permit in 120 days.”

“Southeast stations - what if density was small-lot cottage style not mid-rise, more quintessentially Seattle.”

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thought it made sense for the light rail station areas. There was a continuing refrain for more flexibility in the design and configuration of new development within the city. Several developers criticized the City's zoning code as overly prescriptive and an obstacle to designs that made sense and were sympathetic to the existing neighborhood. One strategy that could provide more flexibility is the development of a specific transit overlay zone in station areas, similar to the current pedestrian overlay zoning, which many thought worked well. This type of zoning would allow more design options than the underlying zoning classification; it also could include density bonus provisions, possible correlated with affordable housing requirements .

Several of the architects and landscape designers emphasized the importance of good design in station areas that was sensitive to neighborhood character. High quality was important for creating a pedestrian-friendly environment that would encourage transit use. People also mentioned the importance of designing station areas in ways that enhance public safety. Adequate lighting and designing store fronts and apartments to keep eyes on the public spaces were mentioned as appropriate design strategies.

Several people emphasized the importance of orienting building entrances in ways that lead people out into public space and toward transit stops. If the first thing people see when they walk out their front door is their car or their parking garage, then they are more likely to use their car. If, however, people exit their front door on to a street that leads easily and naturally to a light rail station, they will be more likely to take transit.

Participants Comments:

"The City should be serious about putting enough capacity in transit centers, having courage to say no to those resisting increasing density."

"Minimum density? Great!"

"Open up the zoning, so it can accommodate what the market would bear."

"Density may be okay, flexibility to use it may be the problem."

"There are lots of positives that could come out of density, but people need examples."

"Zoning needs to encourage pedestrian-friendly development...hate to recommend another overlay district, but maybe something like that would be appropriate."

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An architect for a grocery chain explained their reluctance to embrace transit oriented design for their grocery stores. Their surveys have shown that it is important for shoppers to be able to see parking in front of the store and have clear sight lines from the store entrance to their parking space. While he was aware of some grocery stores that worked with structured parking that was not in front of the store, he felt that his firm was unlikely to put in stores that did not have sufficient parking in front. Other specialty retailers maybe willing to go into a station area but he felt that the vast majority people will continue to do their major weekly shopping at a large store with good auto access.

ZONING REVISIONS

Some focus group participants encouraged City policymakers to upzone around station areas to allow denser development. They felt that current zoning was not sufficient in some station areas given the demand for housing in the market segments north of downtown. Others noted that density constraints, rather than height were often the issue, and incentives to provide more housing through design review, would make sense. There should be tradeoffs for increased density, and supportive infrastructure and amenities are needed.

The need for upzoning is not so pressing in the Rainier Valley although some greater flexibility in building types would be welcome. Several developers supported the idea of a minimum density requirement and parking caps to ensure development at densities that would support transit use.

The continuing refrain was for more flexibility in design and construction and to avoid forcing uneconomic decisions on firms building new space. One aspect of flexibility was to allow for space that could accommodate people who want to live and work at home. Groundfloor units could be designed to switch between commercial and residential uses depending what types of uses the neighborhood economy could support.

Also, under current zoning, developers build the biggest, most expensive units on a site. To promote more affordable housing, one viable option is to eliminate the dwelling unit per acre standard, which biases a developer toward larger units, replacing it with a floor

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area ratio (FAR) or another type of zoning envelope that would allow for greater flexibility to unit design and unit mix.²

Some participants feared that the neighborhood planning process has placed too many constraints on zoning changes. Even those neighborhood plans that have embraced the idea of increased density may be opposed by others in the neighborhood once the changes move from conceptual plans to specific development proposals. To get transit-oriented development, the City Council may have to make decisions that will generate opposition from some quarters. The City may be able to build greater local support for increased density by targeting public investments in pocket parks and other amenities to those areas willing to accept higher densities.

PARKING

Everyone agreed that parking would be a major concern within the light rail station areas. The parking issue has several dimensions. Developers of building apartments and offices in station areas want lower parking requirements to reflect the fact that people who live and work near rail transit do not own and use cars at the same rate as the rest of the population. Lowering parking requirements reduces development costs and can make projects more affordable.

Developers of condominiums, on the other hand, generally agreed that they would want to provide parking at the levels currently required by code because that market segment would demand it. Condo developers would tend to oppose

² One developer is successfully selling 325 square foot consider this type of housing.

Participants Comments:

“RTA is the last chance, it has to work, or will never contain sprawl and create affordable housing.”

“The success of land development is dependent on the efficiency of the light-rail system. You have to run trains frequently, and the routes and stops must be convenient.”

“Stations can give us a sense of place. The stations need to be easily used, but they need to be different.”

“Developers need to know that it isn’t going to slow them down even more. The relationship needs to not be adversarial.”

“Focus on getting a ‘win’ - first where incomes are higher, developers are interested - e.g., Roosevelt station... another is McClellan - really the center of Rainier Valley - if the City did amenities there, could be a success - but you need to deal with security

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parking maximums that might limit the marketability of their product. There was considerable discussion about the idea of locating parking off-site to provide parking for people who use transit during the work week but would still own a car for weekend trips and to go shopping. If parking requirements were not relaxed, developers strongly favored being allowed to count off-site parking as meeting the current requirements.

There were a variety of views expressed about locating parking near transit stations to enable people to park and ride the light rail system. Several people were of the opinion that the City should locate underground parking near transit stations. If the City or Sound Transit doesn't provide parking, then there will be a strong tendency for people to park in the neighborhoods and walk to the transit station. Some of this could be avoided by having area parking permits. Several people expressed fear that ridership would suffer if the people had to take a bus and then transfer in order to ride the light rail system and therefore supported parking around station areas. They also said that the City should recognize that some people will drive to stations and plan for that preference.

Participants also commented favorably on parking caps and noted how they have worked in other areas (e.g. Bellevue and Portland).

Most agreed that parking policy also needs to be coordinated with local transit access policy. Many argued for the City to take a strong position before METRO to ensure convenient bus connections and explore alternative transit, such as "taxi vans".

TOP POLICY RECOMMENDATIONS

A handful of recommendations kept surfacing when the interviewees were asked what three things the City could do to encourage transit-oriented development. The following summary reflects the most frequent responses.

1. **Be bold.** City policymakers need to be visionary and make some tough decisions to realize the potential of transit-oriented development.
2. **Tailor solutions to station area needs.** The best program for TOD will combine flexible zoning with targeted City resources and private resources. The City needs to listen to the neighborhoods and to the users of the system.
3. **Establish predictability in the process.** Developers want to know what the rules are, so they can have greater confidence in project feasibility analysis. Anything that the City can do to reduce potential risk will improve the attractiveness of TOD as an

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option for real estate investment. Having a “fast-track” procedure for projects that conform to station area plans would be an attractive option, as noted above.

4. **Focus on a couple of stations early in the process.** It is important to have some early successes to build confidence and experience within the development community. Share the successes in other cities to build confidence in the City’s Station Area Planning program
5. **Adopt a flexible overlay zone for station areas with design review.** The City should allow greater flexibility for development within station areas while ensuring good design and pedestrian-oriented frontages through an efficient design review process. Incentives and bonus provisions also can help. Let those who meet these station area design requirements be approved quickly.
6. **Adopt Programmatic or Planned Action EISs to streamline permit process.** By conducting an area wide environmental review on the full build-out of the station areas, the City can substantially reduce the time and uncertainty associated with developing new projects.
7. **Develop a comprehensive parking management program for station areas.** How parking is handled often is critical in making projects “pencil out”. Eliminating current minimum requirements would be a good first step.
8. **Target public investment to leverage private investments.** A balanced approach is needed, but policy decisions will be need to establish priorities. Some participants thought that stations in the Rainier Valley will likely require more public investment than those north of downtown. The redevelopment at Holly Park provides an excellent opportunity to create a diverse mix of housing and commercial uses near a new light rail station. Others noted that neighborhoods that accept more density may need to be “rewarded” with additional infrastructure investments and amenities.
9. **Work with lenders to develop pools of capital to support qualified projects in station areas.** Sharing the risk of lending to non-traditional product types can help build capacity and confidence within the lending community for mixed use developments

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